

Major 2003 Legislative Changes



Several of the bills passed by the 2003 Legislature directly affect Nebraska's tax programs. Additional information is being prepared on some of the changes contained in this notice. Access the Department of Revenue Web site (www.revenue.state.ne.us) to obtain the latest information available.

Changes to the motor fuels and charitable gaming programs are not included in this notice. Contact Motor Fuels at 800-554-3835 and Charitable Gaming at 877-564-1315 for information on any changes in those areas.

Sales and Use Tax

Sales and Use Tax Rate

Beginning October 1, 2003, the Nebraska sales and use tax rate will remain at 5.5%. (LB 759)

New Services Subject to Tax

Beginning October 1, 2003, the following services are subject to tax:

- Recreational vehicle park services
- Repair and maintenance labor on tangible personal property, excluding motor vehicles
- Animal specialty services *
- Detective services
- Contractor labor **

* Animal specialty services does not include professional veterinary services and services performed on livestock.

** Taxable contractor labor excludes original construction of a structure, addition of a floor or room to an existing building, restoration or replacement of a damaged structure due to fire or natural disaster, construction or repair of structures used to generate or transmit electricity, and the major renovation of an existing building. (LB 759)

Sales Tax Exemption

Effective July 1, 2003, purchases of industrial machinery and equipment by another state or local governmental body are exempt from sales and use tax if the other state or local governmental body provides a similar exemption to Nebraska and its political subdivisions. (LB 168)

Streamlined Agreement

Nebraska is joining other states in enacting the Streamlined Sales and Use Tax Agreement. Beginning January 1, 2004, sales tax collection obligations will be simplified for both in-state retailers and out-of-state retailers making sales to Nebraska businesses and residents. The Agreement provides uniform definitions for key items in the tax base, uniform rules for

determining the location of a sale, uniform exemption certificates and a central point of administration for participating states. (LB 282)

Rental or Lease of Motor Vehicles

Beginning October 1, 2003, the rental or lease of a motor vehicle is subject to tax at the rate in effect on the date the vehicle is delivered to the lessee. (LB 381)

Newspaper Advertising Supplements

Beginning in October 1, 2003, sales and use tax applies to sales of newspaper advertising supplements delivered in this state unless the supplements are delivered by a printer directly or via common or contract carrier to a newspaper publisher. (LB 759)

Income Tax

Income Tax Rates and Standard Deduction

The individual and fiduciary income tax rate increases enacted for tax year 2003 have been made permanent. (LB 759)

A Nebraska standard deduction for tax year 2003 was established as follows:

Single taxpayers -	\$4,750
Head of Household -	\$7,000
Married filing jointly -	\$7,950
Married filing separately -	\$3,975

Higher standard deductions will be allowed for elderly and blind taxpayers.

Beginning in 2004, the Nebraska standard deduction will be adjusted annually for inflation. (LB 596)

Refund Donations

For tax years 2003, 2004, and 2005, individuals may designate one dollar or more of an income tax refund as a donation to the Nebraska State Fair Foundation. Contributions to the Nebraska Campaign Limitation Cash Fund are amended to allow contributions of one dollar or more. (LB 72)

Business Child Care Credit

Implementation of the Business Child Care Credit enacted in 2001 has been further deferred to tax year 2007. (LB 283)

Bonus Depreciation

The add-back of federal bonus depreciation has been changed to include depreciation received under the federal Jobs and Growth Tax Act of 2003 for assets placed in service during 2003 and before December 31, 2005. Twenty-percent of the add-back may be subtracted from income beginning January 1, 2006 and continuing for the next four years. (LB 596)

Section 179 Expense

Assets in excess of twenty-five thousand dollars which are expensed under Internal Revenue Code section 179 must be added back to federal adjusted gross income (individuals) or federal taxable income (corporations and fiduciaries). Twenty-percent of the add-back may be subtracted from income beginning January 1, 2006 and continuing for the next four years. (LB 596)

Economic Incentives

Beginning January 1, 2004, the Employment Expansion and Investment Incentive Act is changed to apply only in counties with populations less than 25,000 or in any designated enterprise zone. An application fee is established and new thresholds for earning credits are set at five new full-time employees, \$250,000 in investment, and payment of a qualifying wage. The credits allowed are changed to \$3,000 for each new employee and \$2,750 for each \$50,000 of new investment. The credits are refundable and must be recaptured if the thresholds are not met.

Estate Tax

The estate tax calculation has been changed for decedents dying on or after January 1, 2003. (LB 759)

County Lodging Tax

All counties, except for Douglas County which is currently permitted to impose an additional two percent lodging tax, may impose an additional two percent lodging tax for a County Improvement Fund. (LB 726)

Miscellaneous

Financial Institution

Beginning in tax year 2003, a financial institution is permitted to organize as a limited liability company. (LB 127)

Homestead Exemption

For applications filed in 2004 and after, the beginning date for filing an application for the homestead exemption is changed from April 1st to February 1st. (LB 192)

The definition of a veteran of the Vietnam War was changed to include persons who served on active duty in the Republic of Vietnam between February 28, 1961 and May 7, 1975. (LB 799)

Late Payment Fees

Beginning August 31, 2003, the State Treasurer is authorized to charge a fee for electronic payments that are not accepted. (LB 354)

Cigarette Tax

The cigarette tax rate increases enacted in 2002 have been made permanent (LB 759)

The provisions relating to the reporting requirements under the Master Settlement Agreement for cigarettes and roll-your-own tobacco have been changed effective August 31, 2003. All manufacturers that are either participating in the Master Settlement Agreement or are nonparticipating members but are making deposits into escrow are required to make a certification of cigarettes and roll-your-own tobacco by brand family. Penalties for violating the provisions of the law consist of revocations of the wholesaler's stamping license and fines. (LB 572)

FOR NEBRASKA TAX ASSISTANCE

For All Tax Programs Except Motor Fuels

Contact your regional office or call **1-800-742-7474** (toll free in NE and IA)
or **1-402-471-5729**

Nebraska Department of Revenue Web site address: www.revenue.state.ne.us

A copy of the Taxpayer Bill of Rights is available by calling any of our regional offices or visiting our Web site.

SCOTTSBLUFF

Panhandle State Office Complex
4500 Avenue I, Box 1500
Scottsbluff, Nebraska 69363-1500
Telephone (308) 632-1200

NORTH PLATTE

Craft State Office Building
200 South Silber Street
North Platte, Nebraska 69101-4200
Telephone (308) 535-8250

GRAND ISLAND

TierOne Bank Building, Suite 460
1811 West Second Street
Grand Island, Nebraska 68803-5469
Telephone (308) 385-6067

NORFOLK

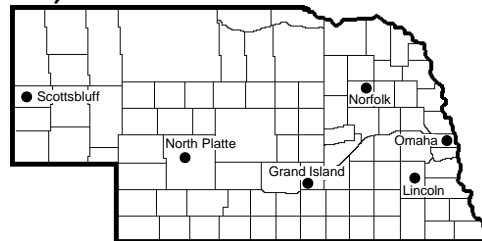
304 North 5th Street, Suite "D"
Norfolk, Nebraska 68701-4091
Telephone (402) 370-3333

OMAHA

Nebraska State Office Building
1313 Farnam-on-the-Mall
Omaha, Nebraska 68102-1871
Telephone (402) 595-2065

LINCOLN

Nebraska State Office Building
301 Centennial Mall South
Lincoln, Nebraska 68509-4818
Telephone (402) 471-5729



For Motor Fuels tax programs only call toll free 1-800-554-3835 (Lincoln residents call 471-5730).

Hearing-impaired individuals may call the Text Telephone (TT) at 1-800-382-9309. TDD (Telecommunications Device for the Deaf) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.